

AGREEMENT REGARDING
TRANSFER SERVICE
executed by the
BONNEVILLE POWER ADMINISTRATION
and
«FULL NAME OF CUSTOMER»

Table of Contents

Section	Page
1. Term and Termination	
2. Definitions	
3. Arrangements for Transfer Service	
4. Proposed Treatment of Transmission Component Costs	
5. Duties of «Customer Name»	
6. Stranded Costs	
7. Treatment of Other Issues.....	
8. Principles for Treatment of Other Cost Categories.....	
9. Losses.....	
10. Standard Provisions.....	
11. Signatures	

This AGREEMENT REGARDING TRANSFER SERVICE (Agreement) is executed by the UNITED STATES OF AMERICA, Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (BPA) and «FULL NAME OF CUSTOMER» («Customer Name») a «_____» duly organized and operating under the laws of the State of «_____». BPA and «Customer Name» hereinafter sometimes are referred to individually as “Party” and collectively as “Parties.”

RECITALS

WHEREAS, BPA sells electric power to public body and cooperative utilities in the Pacific Northwest Region;

WHEREAS, BPA and «Customer Name» have entered into Contract No 00PB-«#####» (Power Sales Agreement), as such agreement may be amended or replaced providing electric power for «Customer Name»;

WHEREAS, BPA is authorized to build, operate and maintain electric transmission and substation facilities when the Administrator determines such facilities are necessary and appropriate;

WHEREAS, BPA did not construct transmission facilities to interconnect certain public body and cooperative utilities to the Federal Columbia River Transmission System when, among other reasons, it was demonstrated to be less expensive for BPA to acquire transmission service over existing transmission facilities owned by other entities to deliver Firm Power sold by BPA to such public body or cooperative utility;

WHEREAS, Firm Power purchased from BPA under the Power Sales Agreement is delivered to «Customer Name» through Transfer Service;

WHEREAS, Since January, 2002, representatives of BPA and various public power utilities and associations have engaged in lengthy discussions and negotiations regarding issues pertaining to future arrangements for wholesale federal power deliveries over transmission systems owned and operated by other utilities; and

WHEREAS, BPA customers receiving deliveries via Transfer Service have expressed their desire for delivery of wholesale power to load at rates and on terms and conditions of service equivalent to the rates and terms and conditions of service available to public power utilities directly connected to BPA's main grid;

NOW, THEREFORE, the Parties agree as follows:

1. TERM AND TERMINATION

This Agreement shall become effective upon execution by BPA and «Customer Name» (Effective Date), and shall continue in effect until the earliest of (a) 2400 hours on September 30, 2024, (b) the date on which «Customer Name» allows its Power Sales Agreement to expire, or on which Customer's Power Sales Agreement terminates, without a replacement BPA firm power purchase. BPA's obligations pursuant to this Agreement shall continue notwithstanding the termination of similar obligations in {{Customer Name's}} Power Sales Agreement section __{IDENTIFY RELEVANT PARAGRAPH FOR CUSTOMER'S PSA}} of such Power Sales Agreement.

2. DEFINITIONS

The following terms, when used in this Agreement with initial capitalization, whether singular or plural, shall have the meanings specified.

- (a) "Firm Power" means electric power (capacity and energy) that BPA makes available on a continuous basis to meet the firm power requirements of «Customer Name's» load as defined in section 5(b)(1) of the Northwest Power Act. Firm Power does not include power sold as surplus power, including, but not limited to, surplus power under the Block and Slice Power Sales Agreements.

- (b) “Initial Rate Proposal” means BPA’s proposal, as published in the Federal Register from time to time, to initiate a hearing to establish or revise wholesale power or transmission rates pursuant to section 7(i) of the Northwest Power Act.
- (c) “Integrated Network Segment” means those facilities of the Federal Columbia River Transmission System that are required for the delivery of bulk power, the costs for which are recovered through generally applicable rates, and that are identified as Integrated Network Segment, or its successor, in the BPA segmentation study for the applicable transmission rate period as determined in a hearing establishing or revising BPA’s transmission rates pursuant to section 7(i) of the Northwest Power Act.
- (d) “Northwest Power Act” means the Pacific Northwest Electric Power Planning and Conservation Act of 1980, P.L. 96-501.
- (e) “Rolled In”
 - (1) For BPA power rates, Rolled In means that the Transfer Service costs included in BPA’s power revenue requirement are not directly assigned or allocated to a subgroup of firm power load of preference customers under section 5(b)(1) of the Northwest Power Act; or
 - (2) For BPA transmission rates, Rolled In means the Transfer Service costs are included in the Integrated Network Segment, are spread over all Integrated Network Segment load, and are not directly assigned or allocated to any subgroup of Integrated Network Segment load.
- (f) “Third Party Transmission Provider” means a transmission provider other than BPA or a regional transmission organization that delivers Firm Power to «Customer Name».
- (g) “Transfer Service” means the service provided by a Third Party Transmission Provider to deliver Firm Power sold by BPA pursuant to a Power Sales Agreement, or its successor, to <<Customer Name>>. Transfer Service does not include service to loads in territory annexed by <<Customer Name>> .
- (h) “Transmission Component Costs” means the costs of Transfer Service to deliver Firm Power to <<Customer Name>> over non-federally owned facilities that have characteristics comparable to the characteristics used to define BPA’s Integrated Network Segment. Transmission Component Costs do not include losses, which are treated in section 9 of this Agreement. Transmission Component Costs do not include Ancillary Services, except as may be agreed upon by the Parties pursuant to section 7 of this Agreement.

3. ARRANGEMENTS FOR TRANSFER SERVICE

BPA shall arrange for Transfer Service to «Customer Name» for the duration of this Agreement; provided, however, that BPA and «Customer Name» may agree to make other arrangements for Transfer Service.

4. PROPOSED TREATMENT OF TRANSMISSION COMPONENT COSTS

- (a) BPA shall be financially responsible for payment of Transmission Component Costs.
- (b) Except as provided in sections 4(d) and 4(e) below, BPA shall have a continuing obligation to propose Rolled In treatment of Transmission Component Costs into either the wholesale power or the transmission service Initial Rate Proposal for rates that are effective during the term of this Agreement. BPA shall include testimony supporting Rolled In treatment of Transmission Component Costs in its Initial Rate Proposal, and, in its judgment, make good faith, best efforts to defend its proposal.
- (c) Nothing in this Agreement shall limit the Administrator's discretion and authority or predetermine the Administrator's final decision in establishing or revising rates.
- (d) If the Federal Energy Regulatory Commission (FERC) does not approve and confirm Rolled In treatment of Transmission Component Costs included in BPA's final rate proposal for its wholesale power rates, or if FERC approves and confirms BPA's final rate proposal which includes Rolled In treatment of Transmission Component Costs for wholesale power rates, and such Rolled In treatment is subsequently overturned by a court with jurisdiction, then BPA shall have no obligation to propose Rolled In treatment of Transmission Component Costs in any subsequent Initial Rate Proposal for setting such wholesale power rates, and BPA shall propose Rolled In treatment of Transmission Component Costs in transmission rates.

If FERC does not approve and confirm Rolled In treatment of Transmission Component Costs included in BPA's final rate proposal for its transmission rates, or if FERC approves and confirms BPA's final rate proposal which includes Rolled In treatment of Transmission Component Costs for transmission rates, and such Rolled In treatment is subsequently overturned by a court with jurisdiction, then BPA shall have no obligation to propose Rolled In treatment of Transmission Component Costs in any subsequent Initial Rate Proposal for setting transmission rates, and BPA shall propose Rolled In treatment of Transmission Component Costs in wholesale power rates.

- (e) If BPA has proposed Rolled In treatment of Transmission Component Costs in both wholesale power rates and transmission rates and FERC does not approve and confirm the Rolled In treatment, or FERC does approve and confirm Rolled In treatment and such Rolled In treatment is subsequently overturned by a court

with jurisdiction, then BPA will no longer be obligated to propose Rolled In treatment for Transmission Component Costs.

5. DUTIES OF «CUSTOMER NAME»

«CUSTOMER NAME» shall:

- (a) cooperate with BPA in assessing actions that may be undertaken to minimize costs incurred by BPA in meeting its obligations pursuant to this Agreement, consistent with the Power Sales Agreement;
- (b) provide, or cause to be provided, timely planning information to BPA, including, but not limited to information pertaining to «Customer Name»'s long-term annual peak and energy load forecasts and system expansion and upgrade; and
- (c) provide, or cause to be provided, timely notice to BPA of events, including, but not limited to, load loss or load addition on its system that may have a material impact on Transmission Component Costs.
- (d) provide, or cause to be provided, support for the Rolled In treatment of Transmission Component costs in BPA's Initial Rate Proposal described in section 4(b) of this Agreement.

6. STRANDED COSTS

- (a) If «Customer Name» takes action to reduce the amount of Transfer Service it requires, and BPA continues to be liable for Transmission Component Costs of such unused Transfer Service, then BPA may require {{Customer Name}} to reimburse BPA for such costs which BPA incurred in reliance on «Customer Name»'s continued use of Transfer Service.
- (b) BPA shall give notice to <<Customer Name>> and the parties shall consult before BPA executes any new contract for Transfer Service or incurs additional obligations under existing contracts which may expose <<Customer Name>> to stranded costs as used in this section 6; provided, however, BPA shall retain the right to decide whether to incur such costs, after considering such consultation.

7. TREATMENT OF OTHER ISSUES

- (a) In separate discussions, unless prohibited by ex parte rules, the Parties shall endeavor to find acceptable solutions or approaches for solving other issues related to Transfer Service that are not included in this Agreement. Such solutions or approaches or their implementation may require separate public processes. Such other issues include, but are not limited to, the issues described in Exhibit A. Excluding treatment of these issues under this Agreement it is not intended to prejudice the outcome of the discussion of such issues in the separate process(es). In undertaking the obligations

of this section 7(a) for the issues described in Exhibit A, unless otherwise stated, it is BPA's intent to provide {{Customer Name}} with transmission service and Ancillary Services that are comparable to the service that BPA provides to its customers that are directly connected to the Federal Columbia River Transmission System.

- (b) In separate discussions, unless prohibited by ex parte rules, the Parties shall endeavor to find acceptable solutions or approaches for solving the issue of treatment of costs associated with transmission service provided by third party transmission providers, other than BPA or a regional transmission organization, for delivery of non-federal power to <<Customer Name>>. Such solutions or approaches or their implementation may require separate public processes.
- (c) The Parties shall commence the discussions described in sections 7(a) and 7(b) of this Agreement on or about October 31, 2004, and shall conclude the discussions no later than April 1, 2005.
- (d) Nothing in this section 7 shall limit the Administrator's discretion and authority or predetermine the Administrator's final decision in establishing or revising policies or proposals regarding the issues to be discussed pursuant to this section 7.

8. PRINCIPLE FOR TREATMENT OF OTHER COST CATEGORIES

- (a) To the extent that BPA undertakes responsibility for costs related to Transfer Service that are not addressed pursuant to section 7(a) of this Agreement, or agrees to be responsible for costs that are required to provide Transfer Service to {{CUSTOMER NAME}} but that are not identified or incurred by BPA as of the effective date of this Agreement, including but not limited to congestion costs, it is BPA's intent to propose to allocate such costs to <<Customer Name>> in a manner comparable to the allocation BPA applies to recover similar costs from its customers that are directly connected to the Federal Columbia River Transmission System.
- (b) To the extent that BPA incurs costs associated with facilities expansions and upgrades to provide Transfer Service to {{Customer Name}}, it is BPA's intent to allocate such costs in a manner that is comparable to the allocation BPA proposes for similar costs for customers directly connected to the Federal Columbia River Transmission System
- (c) Nothing in this section 8 shall limit the Administrator's discretion and authority or predetermine the Administrator's final decision in establishing or revising rates.

9. LOSSES

BPA shall propose to treat real power losses and their costs that are incurred through use of a Third-Party Transmission Provider's transmission system to provide Transfer Service pursuant to this Agreement in a manner comparable to BPA's treatment of losses and costs for a similarly situated customer that is directly connected to BPA's transmission system. For purposes of determining comparability, BPA shall view the facilities used to provide Transfer Service pursuant to this Agreement as if they were part of BPA's transmission system.

10. STANDARD PROVISIONS

- (a) **Amendments**
No amendment, rescission, waiver, modification or other change of this Agreement shall be of any force or effect unless set forth in a written instrument signed by authorized representatives of each Party.
- (b) **No Third-Party Beneficiaries**
This Agreement is made and entered into for the sole protection and legal benefit of the Parties, and no other person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with this Agreement.

(c) **Waivers**

Any waiver at any time by either Party to this Agreement of its rights with respect to any default or any other matter arising in connection with this Agreement shall not be considered a waiver with respect to any subsequent default or matter.

11. SIGNATURES

Each Party represents that it has the authority to execute this Agreement and that it has been duly authorized to enter into this Agreement.

«FULL NAME OF CUSTOMER»

UNITED STATES OF AMERICA
Department of Energy
Bonneville Power Administration

By _____

By _____

Name _____
(Print/Type)

Name _____
(Print/Type)

Title _____

Title _____

Date _____

Date _____

Exhibit A
Other Issues as They Relate to Transfer Service

- Development of Direct Assignment Guidelines for Transfer Service customers, including:
 - a) Treatment of costs and allocation of responsibilities associated with facilities not included in the definition of Transmission Component Costs (*e.g.*, low voltage service).
 - b) Treatment of costs and allocation of responsibilities associated with upgrades on facilities not included in the definition of Transmission Component Costs -
Expansion of facilities and upgrades to existing facilities;
New facilities (*for e.g.*, new substations).
- Service to load in annexed territories, as defined in <<Customer Name>>'s Power Sales Agreement.
- Quality of service.
- Respective roles of customers and BPA in management of GTA agreements, including whether to do periodic evaluations of the costs or benefits of replacing GTAs with OATT service.
- GTA issues as they relate to Slice, including (1) delivery of surplus under "Slice" contracts to GTA customer load, and (2) service to customers for hourly generation in excess of hourly load under "Slice" contracts. 1/
- Treatment of costs of, and allocation of responsibility for, ancillary services.

1/ This issue is not subject to the comparability principle expressed in section 7(a) of the body of this Agreement.

Customers Served by Transfer

Alder Mutual Albion, City of Ashland, City of Asotin Co PUD Benton Co PUD Benton REA Big Bend Coop Blaine, City of Burley, City of Canby, City of Central Elec Cheney, City of Chewelah, City of Clearwater Elec Coop Columbia Basin Elec Coop Columbia Power Coop Columbia REA Columbia River PUD Cowlitz Co PUD Declo, City Douglas Elec East End Mutual Eatonville, City of Elmhurst Mutual Emerald PUD Fall River Elec Glacier Elec Harney Elec Hermiston, City Heyburn, City of Hood River Elec Idaho County L&P Idaho Falls, City of Inland Power & Light Coop Kittitas Co PUD Klickitat Co PUD Kootenai Elec Lakeview P&L Lane Elec	Lewis Co PUD Lost River Elec Coop Lower Valley Power and Light McLeary, City of Milton, City of Minidoka, City of Missoula Elec Modern Elec Nespelem Valley Elec Northern Lights Elec Ohop Mutual Okanogan Electric Cooperative OPALCO Oregon Trail Elec Parkland Peninsula P&L Plummer, City of Raft River Elec Ravalli Elec Riverside Elec Rupert, City of Salmon River Elec Springfield, City of SouthSide Elec Soda Springs, City of Steilacoom, City Sumas, City of Surprise Valley Elec Tanner Elec Tillimook PUD Umatilla Elec Umpqua Indian Utility Coop United Elec USAF (Fairchild AFB) USBR (several locations) Vigilante Elec Wasco Elec West Oregon Elec Wells Rural Elec
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